CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 17, 1999

H.R. 807
Federal Reserve Board Retirement Portability Act

As ordered reported by the House Committee on Government Reform on March 10, 1999

SUMMARY

H.R. 807 would better integrate the federal government's civilian retirement plans with those of the Federal Reserve Board of Governors. The bill would allow federal employees who have prior service with the Federal Reserve Board to receive full credit for that service under the Federal Employees' Retirement System (FERS). The bill would also allow individuals who switch jobs from other federal agencies to the Federal Reserve Board to withdraw their balances in the Thrift Savings Plan (TSP). Finally, the bill would exempt from FERS coverage certain employees who return to federal employment after a break in service and have five or more years of service under the Federal Reserve Board's counterpart to the Civil Service Retirement System (CSRS).

CBO estimates that this bill would not have a significant impact on the federal budget over the 2000-2004 period. The bill would reduce discretionary spending by about $10,000 annually due to lower agency retirement and TSP contributions. The decrease in agency retirement contributions would also reduce receipts received by the Civil Service Retirement trust fund. Revenues would increase by about $5,000 annually as employees make deposits to the Civil Service Retirement trust fund to receive credit for prior Federal Reserve service. The bill would not have a significant impact on federal retirement benefits over the 2000-2004 period because the employees affected by the bill are generally still in the middle of their careers. Because this bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

H.R. 807 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

BASIS OF ESTIMATE

FERS Credit for Bank Plan Service

The Federal Reserve Board of Governors has two retirement plans. Employees hired before 1984 are covered by the Board Plan, a stand-alone retirement plan which does not include Social Security and is similar to CSRS. Employees hired after 1983 are covered by the Bank Plan, which includes Social Security coverage and resembles FERS.

CSRS-covered employees who later work for the Federal Reserve Board are allowed to credit their CSRS service under the Board Plan, and vice versa. FERS employees who later work for the Federal Reserve Board may also credit their FERS service under the Bank Plan. However, Federal Reserve employees who are covered by the Bank Plan can receive FERS credit only for service performed before 1989.

H.R. 807 would allow employees covered by the Bank Plan to receive full credit for their service under FERS if they later work for other federal agencies. In order to receive credit, employees would have to waive credit for their prior service under the Bank Plan and make a deposit into the Civil Service Retirement trust fund equal to the contributions that they would have made if their Bank Plan service had instead been covered by FERS, plus interest.

According to data from the Federal Reserve Board, about five Bank Plan-covered employees a year move to positions with other federal agencies. The deposits made by these employees would increase federal revenues, but by less than $5,000 annually.

Allow TSP Withdrawals by Certain Federal Reserve Employees

The Federal Reserve Board has its own tax-deferred savings plan, so its employees do not participate in the TSP. Under current law, federal employees who participate in the TSP are allowed to withdraw their contributions only if they have separated from service or reached age 59 1/2; moving to a job with the Federal Reserve Board is not considered a separation. Some Federal Reserve employees who have previous service with the federal government are thus unable to withdraw their TSP balances.

H.R. 807 would deem these employees to have separated from service for TSP purposes and allow them to withdraw their contributions. According to the Federal Retirement Thrift Investment Board, only a small number of employees would be affected. If these employees withdrew their TSP contributions and spent them, federal revenues would increase slightly since TSP distributions are subject to income tax. However, in the Thrift Board's experience, these employees usually seek to transfer their TSP balances to the Federal Reserve's tax-deferred savings plan. In these cases, federal revenues would be unaffected.

FERS Exemption for Certain Federal Reserve Board Employees

All new federal employees are generally covered by FERS, but there are exceptions for certain individuals with prior government service. Employees who meet one of these exceptions are instead covered by CSRS Offset, a hybrid retirement plan which includes both CSRS and Social Security. One of these exceptions covers individuals who had five or more years of creditable service under the Board Plan by 1987.

H.R. 807 would broaden the exception by eliminating 1987 as the deadline for working five or more years under the Board Plan. The Federal Reserve Board placed new employees in the Board Plan until 1984, so some employees were unable to complete five years of service by 1987. According to the Federal Reserve Board, only a handful of employees would be affected by this provision.

This provision would decrease discretionary spending, but by less than $10,000 annually. Affected employees would be covered by CSRS Offset, which requires agency contributions equal to 8.51 percent of an employee's pay, rather than FERS, which generally requires agency contributions equal to 10.7 percent of employee pay. Agencies would also no longer have to provide matching contributions to the Thrift Savings Plan for these employees. The drop in agency retirement contributions would be reflected under direct spending as a decrease in receipts to the Civil Service Retirement trust fund.

PAY-AS-YOU-GO CONSIDERATIONS

The provisions of H.R. 807 would affect direct spending and receipts and therefore be subject to pay-as-you-go procedures. The pay-as-you-go procedures cover only the current year, the budget year, and the succeeding four years. The pay-as-you-go effects of the bill are shown in the following table.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	0	0	0	0	0	0	0	0	0	0
Changes in receipts	0	0	0	0	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 807 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

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